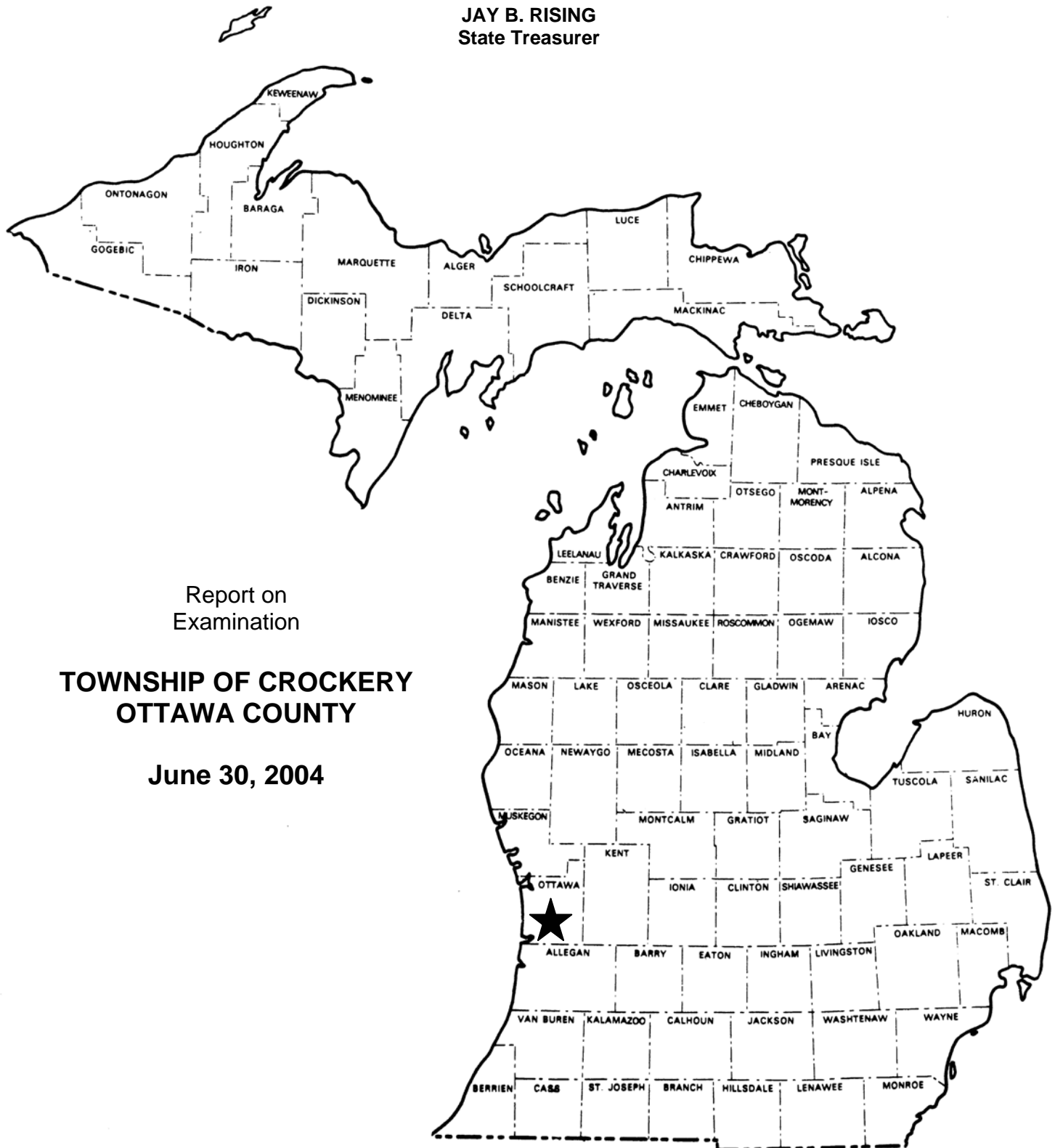


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF CROCKERY
OTTAWA COUNTY**

June 30, 2004

Local Audit and Finance Division
Bureau of Local Government Services

CROCKERY TOWNSHIP--OTTAWA COUNTY
TOWNSHIP BOARD

Mike Fortenbacher
Supervisor

Mae Muller
Clerk

Larry Van Dussen
Treasurer

Rex Burkhall
Trustee

William Berns
Trustee

TOWNSHIP POPULATION--2000
3,782

STATE EQUALIZED VALUATION--2004



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

October 25, 2004

Crockery Township Board
17431 112th Avenue
Nunica, Michigan 49448

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Crockery Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note K, the township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of July 1, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof

for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated October 25, 2004, on our consideration of Crockery Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1-4 and the Budgetary Comparisons for Major Funds as identified in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crockery Township's basic financial statements. The combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CROCKERY TOWNSHIP--OTTAWA COUNTY

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CROCKERY TOWNSHIP--OTTAWA COUNTY

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CROCKERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets decreased \$133,423 from a year ago for the governmental activities due mainly to an increase in legal expenses. In contrast, the business-type activities increased \$32,581, primarily as a result of new water taps. In a condensed format, the table below shows the current year's activity only as this is the first year of the Township's conversion to GASB No. 34.

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current Assets	\$ 649,675	\$ 353,942	\$ 1,003,617
Noncurrent Assets	1,031,712	2,458,845	3,490,557
Total Assets	1,681,387	2,812,787	4,494,174
Current Liabilities	24,220	12,365	36,585
Non-Current Liabilities	740,568	542,614	1,283,182
Total Liabilities	764,788	554,979	1,319,767
Net Assets			
Invested in Capital Assets--Net of Debt	287,874	1,753,378	2,041,252
Restricted	125,344		125,344
Unrestricted (Deficit)	503,381	504,430	1,007,811
Total Net Assets	\$ 916,599	\$ 2,257,808	\$ 3,174,407

CROCKERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date as again, this is the first year of the township conversion to GASB No. 34 provisions.

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Program Revenues			
Charges for Services	\$ 93,226	\$ 147,925	\$ 241,151
Operating Grants and Contributions	14,331		14,331
General Revenues			
Property Taxes	233,900		233,900
State-Shared Revenues	264,649		264,649
Unrestricted Investment Earnings	4,199	23,518	27,717
Other Revenue	1,325		1,325
Total Revenues	611,630	171,443	783,073
Program Expenses			
General Government	266,064		266,064
Public Safety	262,597		262,597
Public Works	58,207	138,862	197,069
Community and Economic Development	99,085		99,085
Recreation and Culture	24,826		24,826
Other	6,968		6,968
Interest on Long-Term Debt	27,307		27,307
Total Expenses	745,054	138,862	883,916
Change in Net Assets	\$ (133,424)	\$ 32,581	\$ (100,843)

The Township's net assets continue to remain reasonably healthy overall, however, spending on legal fees must be drastically curtailed.

Governmental Activities

The Township's total governmental revenues increased primarily due to the continuing increase in the Township's tax base. However, expenses also increased due to excessive legal fees accrued by trustee over utilization of the Township's legal firm. Extreme legal expenditures were generated by private agenda evidence searches and the establishment of a Township Fire Department Fire Advisory Committee. This generated a net decrease in net assets of \$133,423.

CROCKERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to approximately 40% of Township residents, which comes from the North Ottawa water system. At present, we provide no sewage treatment but the Crockery Township Waste Water Treatment Plant should be running by the year 2005. These two facts combined resulted in an operating income, compare to operating losses in each of the last five years. We were also able to take advantage of a refinancing bond issue. This allowed us to delay a needed water increase to 1999, rather than 1998.

The Township's Funds

Our analysis of the Township's major funds are listed in the audit report, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2004 include the General Fund, Fire Operating Fund, Fire Station and Truck Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$263,064 in 2004 as compared to \$169,798 in 2003. The increase in expenditures was the result of excessive attorney fees as well additional expenditures in Planning and Zoning activities. These services are supported by the operating millage and State shared revenues. There was a net decrease in the fund balance of \$100,275 for the General Fund. The two fire funds are for the operations and equipment of the fire department which are supported by two special millages which are recorded in their own respective funds. These funds record the receipts from the special millage and the transfers from the General Fund. Both of these funds ended the year in a deficit position.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Of greatest significance was the expenditure of attorney fees by the Crockery Township Trustees alluded to earlier regarding Fire Department issues. Also of importance with attorney fees was the establishment of Special Water District Number 11 and the legal necessities involved with our first major residential development, Eastbrook Manufactured Homes. This development of 500 plus homes also includes the creation of Crockery Townships Waste Water Treatment Plant. Certain cost of the legal fees involved in the Eastbrook Development and Special Water District Number 11 hope to be recouped after the bonds are purchased for each part of these new developments.

CROCKERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At the end of 2004, the Township had a net of \$3,236,820 invested in a broad range of capital assets, including buildings, fire equipment, fire vehicles, and the water system. To pay for the majority of these capital assets, especially the water system, fire station, and fire truck, the Township entered into various debt obligations totaling \$1,283,181.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005-2006 will have to be watched very closely after the excessive expenditures by trustees of the out going board. State revenue sharing continues to be cut at the township and other municipality level, but of far greater importance to the Township is the cohesiveness and mutual cooperation between board members. Private agendas being pursued by individual board members, particularly regarding the usage of expensive law firms, can only end up being extremely detrimental to the Township's finances. Resolutions can easily be passed limiting contact by Township personnel to a very necessary few. Past experiences by the outgoing board have proven, that expenditures, in the form of legal fees alone, can generate into the tens of thousands of dollars. Such callous and illogical spending of taxpayer dollars on personal agendas should not and can not be tolerated.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2004**

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 318,027	\$ 103,302	\$ 421,329
Investments	231,995	235,415	467,410
Receivables			
Special Assessments	3,271	33,472	36,743
Accounts		33,829	33,829
Due From State	44,306		44,306
Internal Balances	52,076	(52,076)	-
Noncurrent Assets			
Special Assessment Receivable	3,270	250,467	253,737
Capital Assets, Net of Accumulated Depreciation	1,028,442	2,208,378	3,236,820
Total Assets	1,681,387	2,812,787	4,494,174
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	5,907		5,907
Due to Other Townships		11,304	11,304
Deposits Held in Trust	4,400		4,400
Accrued Liabilities	13,913	1,061	14,974
Noncurrent Liabilities			
Notes Payable--Due Within One Year	79,110	2,614	81,724
Notes Payable--Due In More Than One Year	661,458		661,458
Bonds Payable--Due Within One Year		85,000	85,000
Bonds Payable--Due In More Than One Year		455,000	455,000
Total Liabilities	764,788	554,979	1,319,767
<u>NET ASSETS</u>			
Investment in Capital Assets Net of Related Debt	287,874	1,753,378	2,041,252
Restricted for			
Fire Operating	(854)		(854)
Fire Station and Truck	(23,624)		(23,624)
Capital Expenditures	59,089		59,089
Donations	5,566		5,566
Road Improvements	62,148		62,148
Other Purposes	23,019		23,019
Unrestricted	503,381	504,430	1,007,811
Total Net Assets	\$ 916,599	\$ 2,257,808	\$ 3,174,407

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

EXHIBIT B

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activites	Business-Type Activities	Total
Governmental Activities						
General Government	\$266,064	\$ 41,087	\$ 577	\$ (224,400)		\$ (224,400)
Public Safety	262,597	41,888	4,894	(215,815)		(215,815)
Public Works	58,207	6,474	6,464	(45,269)		(45,269)
Community and Economic Development	99,085	3,777		(95,308)		(95,308)
Recreation and Culture	24,826		2,396	(22,430)		(22,430)
Other	6,968			(6,968)		(6,968)
Interest on Long-Term Debt	27,307			(27,307)		(27,307)
Total Governmental Activities	745,054	93,226	14,331	(637,497)	\$ -	(637,497)
Business-Type Activities						
Water Fund	138,862	147,925			9,063	9,063
Total	\$883,916	\$241,151	\$14,331	\$ (637,497)	\$ 9,063	\$ (628,434)
General Revenues						
Property Taxes				\$ 233,900		\$ 233,900
State-Shared Revenues				264,649		264,649
Unrestricted Investment Earnings				4,200	\$ 23,518	27,718
Other				1,325		1,325
Total General Revenues--Special Items and Transfers				504,074	23,518	527,592
Change in Net Assets				(133,423)	32,581	(100,842)
Net Assets--Beginning				1,050,022	2,225,227	3,275,249
Net Assets--Ending				\$ 916,599	\$2,257,808	\$ 3,174,407

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

EXHIBIT C

	General	Fire Operating	Fire Station and Truck	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 222,067	\$ 10,000	\$ 1,000	\$ 84,960	\$ 318,027
Investments	117,794	(7,440)	5,376	116,265	231,995
Special Assessments Receivable				6,541	6,541
Due From State	44,306				44,306
Due From Other Funds	133,886			1,143	135,029
Total Assets	<u>\$ 518,053</u>	<u>\$ 2,560</u>	<u>\$ 6,376</u>	<u>\$ 208,909</u>	<u>\$ 735,898</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 4,863	\$ 1,045			\$ 5,908
Due to Other Funds	1,143		\$ 30,000	\$ 51,810	82,953
Accrued Liabilities	10,808	2,369		736	13,913
Deposits Held in Trust	4,400				4,400
Deferred Revenue				6,541	6,541
Total Liabilities	<u>21,214</u>	<u>3,414</u>	<u>30,000</u>	<u>59,087</u>	<u>113,715</u>
Fund Equity					
Fund Balances					
Reserved for					
Capital Expenditures				59,089	59,089
Donations				5,566	5,566
Road Improvements				62,148	62,148
Unreserved--Undesignated	496,839	(854)	(23,624)	23,019	495,380
Total Fund Equity	<u>496,839</u>	<u>(854)</u>	<u>(23,624)</u>	<u>149,822</u>	<u>622,183</u>
Total Liabilities and Fund Equity	<u>\$ 518,053</u>	<u>\$ 2,560</u>	<u>\$ 6,376</u>	<u>\$ 208,909</u>	<u>\$ 735,898</u>
Fund Balances--Total Governmental Funds					\$ 622,183
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					1,028,442
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures					11,668
Revenue that does not provide current financial resources are not reported as revenue in the funds.					(5,126)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					<u>(740,568)</u>
Net Assets of Governmental Activities					<u>\$ 916,599</u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

EXHIBIT D

	General	Fire Operating	Fire Station and Truck	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 108,048	\$ 62,926	\$ 62,926		\$ 233,900
Licenses and Permits	3,533			\$ 39,323	42,856
State Grants	269,449			1,430	270,879
Charges for Services	27,164	1,230		2,075	30,469
Fines and Forfeits				402	402
Interest and Rentals	18,843	47	95	2,651	21,636
Other Revenue		1,325		15,289	16,614
Total Revenues	427,037	65,528	63,021	61,170	616,756
Expenditures					
Current					
General Government	256,997				256,997
Public Safety		135,421		42,374	177,795
Public Works	53,610			4,597	58,207
Community and Economic Development	99,085				99,085
Recreation and Cultural	24,826				24,826
Other	6,968				6,968
Capital Outlay	826	8,723		3,000	12,549
Debt Service					
Principal			68,825	9,477	78,302
Interest			26,840	467	27,307
Total Expenditures	442,312	144,144	95,665	59,915	742,036
Excess of Revenues Over (Under) Expenditures	(15,275)	(78,616)	(32,644)	1,255	(125,280)
Other Financing Sources (Uses)					
Interfund Transfers In		85,000			85,000
Interfund Transfers (Out)	(85,000)				(85,000)
Total Other Financing Sources (Uses)	(85,000)	85,000	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(100,275)	6,384	(32,644)	1,255	(125,280)
Fund Balance--July 1, 2003	597,114	(7,238)	9,020	83,265	682,161
Restatement to Fund Balance--June 30, 2003				65,302	65,302
Fund Balance--June 30, 2004	<u>\$ 496,839</u>	<u>\$ (854)</u>	<u>\$ (23,624)</u>	<u>\$ 149,822</u>	<u>\$ 622,183</u>
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses					\$ (125,280)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.					(81,320)
Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end.					(5,126)
Repayments of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt).					78,303
Change in Net Assets of Governmental Activities					<u>\$ (133,423)</u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

EXHIBIT E

	<u>Water</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 103,302
Investments	235,415
Receivables	
Special Assessments	33,472
Accounts	<u>33,829</u>
Total Current Assets	<u>406,018</u>
Noncurrent Assets	
Special Assessments	250,467
Capital Assets, Net of Accumulated Depreciation	<u>2,208,378</u>
Total Noncurrent Assets	<u>2,458,845</u>
Total Assets	<u><u>\$2,864,863</u></u>
<u>LIABILITIES</u>	
Current Liabilities	
Due to Other Funds	\$ 52,076
Due to Other Townships	11,304
Accrued Liabilities	<u>1,061</u>
Total Current Liabilities	<u>64,441</u>
Noncurrent Liabilities	
Notes Payable--Due Within One Year	2,614
Bonds Payable--Due Within One Year	85,000
Bonds Payable--Due in More Than One Year	<u>455,000</u>
Total Noncurrent Liabilities	<u>542,614</u>
Total Liabilities	<u>607,055</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,753,378
Unrestricted	<u>504,430</u>
Total Net Assets	<u><u>\$2,257,808</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended June 30, 2004

EXHIBIT F

	Water
Operating Revenues	
Charges for Services	\$ 147,925
Total Operating Revenues	<u>147,925</u>
Operating Expenses	
Salaries and Wages	5,775
Contractual Services	20,332
Materials and Supplies	9,328
Water Purchased	24,219
Equipment Repair and Maintenance	20,617
Utilities	5,339
Casualty and Liability Costs	1,620
Depreciation	<u>23,360</u>
Total Operating Expenses	<u>110,590</u>
Operating Income (Loss)	<u>37,335</u>
Nonoperating Revenues (Expenses)	
Special Assessments	21,855
Interest Earned on Investments	1,663
Interest Expense	<u>(28,272)</u>
Total Nonoperating Revenues (Expenses)	<u>(4,754)</u>
Net Income (Loss)	<u>32,581</u>
Change in Net Assets	<u>32,581</u>
Total Net Assets--July 1, 2003	2,327,951
Restatement to Beginning Net Assets	<u>(102,724)</u>
Restated Net Assets--July 1, 2003	<u>2,225,227</u>
Total Net Assets--June 30, 2004	<u><u>\$ 2,257,808</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

EXHIBIT G

	<u>Water</u>
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 149,902
Cash Payments to Employees for Services and Benefits	(4,914)
Cash Payments to Suppliers for Goods and Services	<u>(139,772)</u>
Net Cash Provided by Operating Activities	<u>5,216</u>
Cash Flows From Noncapital Financing Activities	
Special Assessments	<u>121,634</u>
Net Cash Provided by Noncapital Financing Activities	<u>121,634</u>
Cash Flows From Capital and Related Financing Activities	
Reduction of Debt	(84,387)
Interest Paid on Bonds	<u>(28,272)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(112,659)</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	1,663
Sale or (Purchase) of Investments	<u>8,248</u>
Net Cash Provided by Investing Activities	<u>9,911</u>
Net Increase (Decrease) in Cash and Cash Equivalents	24,102
Cash and Cash Equivalents at Beginning of Year	<u>79,200</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 103,302</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 37,335
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	23,360
(Increase) Decrease in Accounts Receivable	1,977
(Increase) Decrease in Due From Other Governmental Units	(58,318)
Increase (Decrease) in Accrued Wages Payable	<u>861</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,215</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

EXHIBIT H

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 40,144</u>
Total Assets	<u><u>\$ 40,144</u></u>
<u>LIABILITIES</u>	
Liabilities	
Undistributed Tax Collections	<u>40,144</u>
Total Liabilities	<u><u>\$ 40,144</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crockery Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Crockery Township:

Reporting Entity

Crockery Township is located in Ottawa County and provides services to approximately 3,782 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Crockery Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as needed.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Operating Fund accounts for the millage revenue that is reserved for the operation of the fire department.

Fire Station and Truck Fund accounts for the millage revenue that is reserved for the purchase of the fire station and fire truck.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major proprietary funds:

Water Fund accounts for the water operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Water</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Water System		80 years

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type-Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Township Board	\$ 5,900	\$ 6,091	\$ (191)
Attorney	11,000	68,284	(57,284)
Cemetery	7,600	10,242	(2,642)
General Administration	37,250	39,505	(2,255)
Community Development			
Planning Commission	65,250	71,202	(5,952)
Fire Operating Fund			
Capital Outlay	4,400	8,723	(4,323)
Fire Station and Truck			
Debt Service		95,665	(95,665)
Building Fund			
Public Safety	40,200	42,087	(1,887)

During the year ended June 30, 2004, budgets were not adopted for the following special revenue funds:

Road Assessments
Fire Donation
Park Donation
Liquor Law
Street Light

Fund Deficits

Crockery Township has an accumulated deficit of \$854 and \$23,624 in the unreserved portion of fund balance in the Fire Operating Fund and the Fire Station and Truck Fund respectively.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

Legal Noncompliance/Violation of Finance Related Provision

1. Failure to establish or maintain the Uniform Chart of Accounts in a formal accounting system in accordance with PA 2 of 1968, as amended, (MCL 141.421).
2. Noncompliance with the budgeting act as required by PA 2 of 1968, as amended, (MCL 141.421 through MCL 141.440a)
3. Failure to adopt an ACH policy in accordance with Public Act 738 of 2002 (MCL 124.303)

NOTE C--CASH, CASH EQUIVALENTS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Crockery Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 318,027	\$ 103,302	\$ 40,144	\$ 461,473
Investments	<u>231,995</u>	<u>235,415</u>	<u></u>	<u>467,410</u>
Total	<u>\$ 550,022</u>	<u>\$ 338,717</u>	<u>\$ 40,144</u>	<u>\$ 928,883</u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 464,423
Investments in Money Market and Government Operating Money Market	467,410
Petty Cash and Cash on Hand	<u>50</u>
Total	<u><u>\$ 931,883</u></u>

The bank balance of the primary government's deposits is \$932,501, of which \$200,000 is covered by Federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the township or its agent in the township's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the township's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the township's name.

At year-end, the township's investment balances were categorized as follows:

	<u>Reported Amount (Fair Value)</u>
Investments Not Subject to Categorization	
Money Market (MM)	\$ 76,018
Government Operating MM	<u>391,392</u>
Total Primary Government	<u><u>\$ 467,410</u></u>

The township has investments with Bank One. The nature of money market and government operating money market accounts does not allow for risk-categorization, which is in accordance with GASB Statement No. 3. The risk and nonrisk-categorized investments are carried at cost, which is also the market value.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2003. It is the policy of Crockery Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2003 taxable valuation of Crockery Township amounted to \$89,670,543 on which ad valorem taxes of .9461 mills were levied for township operating purposes, .7265 mills for fire operations, and .7265 for the fire station and truck resulting in property tax revenue of \$84,837, \$65,146, and \$65,146, respectively, during the fiscal year ended June 30, 2004. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

NOTE E--RECEIVABLES

Special Assessments Receivable--Governmental Funds

The township collects special assessments in the Road Assessment Fund and the Water Fund to collect for expenses incurred by the township to pave roads and create the water system. The special assessments are billed in July and placed on the tax bills if not collected. As of June 30, 2004, the Road Assessment Fund had a special assessment receivable balance of \$6,541 offset by deferred revenue. The Water Fund has special assessments receivable of \$283,939.

Accounts Receivable

The accounts receivable for the township are recorded in the Water Fund. The receivable is based on the water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Water Fund is \$33,829.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 500			\$ 500
Subtotal	500	\$ -	\$ -	500
Capital Assets Being Depreciated				
Land Improvements	56,663			56,663
Building and Building Improvements	659,121			659,121
Equipment	53,440	12,549	6,991	58,998
Vehicles	746,575		44,769	701,806
Subtotal	1,515,799	12,549	51,760	1,476,588
Less Accumulated Depreciation for				
Land Improvements	42,362	2,360		44,722
Buildings	110,451	18,099		128,550
Equipment	29,644	4,190	6,991	26,843
Vehicles	224,080	69,220	44,769	248,531
Subtotal	406,537	93,869	51,760	448,646
Net Capital Assets Being Depreciated	1,109,262	(81,320)	-	1,027,942
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,109,762</u>	<u>\$ (81,320)</u>	<u>\$ -</u>	<u>\$ 1,028,442</u>

The depreciation expense was \$93,869 during the year.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Water System	<u>\$ 2,840,963</u>	<u> </u>	<u> </u>	<u>\$ 2,840,963</u>
Subtotal	<u>2,840,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,840,963</u>
Less Accumulated Depreciation for				
Water System	<u>609,225</u>	<u>23,360</u>	<u> </u>	<u>632,585</u>
Subtotal	<u>609,225</u>	<u>23,360</u>	<u>-</u>	<u>632,585</u>
Net Capital Assets Being Depreciated	<u>2,231,738</u>	<u>(23,360)</u>	<u>-</u>	<u>2,208,378</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 2,231,738</u>	<u>\$ (23,360)</u>	<u>\$ -</u>	<u>\$ 2,208,378</u>

The depreciation expense was \$23,360 during the year.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 9,067
Public Safety	84,802
Total Governmental Activities	<u>\$ 93,869</u>
Business-Type Activities	
Water	<u>\$ 23,360</u>
Total Business-Type Activities	<u>\$ 23,360</u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 133,886	Fire Station and Truck	\$ 30,000
		Water	52,076
		Non-Major Governmental	51,810
Non-Major Governmental	<u>1,143</u>	General	<u>1,143</u>
Total Primary Government	<u>\$ 135,029</u>		<u>\$ 135,029</u>

The 2004 operating transfers from Exhibit D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$ 85,000
Fire Operating Fund	<u>\$ 85,000</u>	
Total	<u>\$ 85,000</u>	<u>\$ 85,000</u>

NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Township contractual agreements, notes and installment purchase agreements are also general obligations of the city. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance 07/01/03</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/04</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>				
Crockery Township Note Payable of \$450,243 for ten years at an interest rate of 3.56% due in semiannual installments for the construction of a new fire station.	\$ 450,243	\$ (39,138)	\$ 411,105	\$ 39,501
Crockery Township Note Payable of \$349,757 for ten years at an interest rate of 3.56% due in semiannual installments for the purchase of a new fire truck.	349,758	(29,688)	320,070	30,754
Crockery Township Note Payable of \$77,450 for eight years at an interest rate of 5.89% due in annual installments of \$9,944 for the paving of a road.	<u>18,870</u>	<u>(9,477)</u>	<u>9,393</u>	<u>9,393</u>
Total Governmental Activities	<u><u>\$ 818,871</u></u>	<u><u>\$ (78,303)</u></u>	<u><u>\$ 740,568</u></u>	<u><u>\$ 79,648</u></u>
<u>Business-Type Activities</u>				
Crockery Township refunded bonds due in annual installments of \$55,000 to \$85,000 for ten years at an interest rate ranging from 3.8% to 4.7% for establishing the water system.	\$ 395,000	\$ (70,000)	\$ 325,000	\$ 75,000
Crockery Township refunded bonds due in annual installments of \$10,000 to \$20,000 for 20 years at an interest rate ranging from 3.8% to 5.25% for establishing the water system.	225,000	(10,000)	215,000	10,000
Crockery Township Note Payable of \$36,200 for eight years at an interest rate of 6.4% due in annual installments of \$5,012 for the expansion of the water system.	<u>7,001</u>	<u>(4,387)</u>	<u>2,614</u>	<u>2,614</u>
Total Business-Type Activities	<u><u>\$ 627,001</u></u>	<u><u>\$ (84,387)</u></u>	<u><u>\$ 542,614</u></u>	<u><u>\$ 87,614</u></u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at June 30, 2004 are as follows:

Date of Issue: June 1, 2003

Amount: \$450,243

Purpose: Fire Truck

Year	Principal		Interest		Annual Total
	December 1	June 1	Decmeber 1	1-Jun	
2005	\$ 19,576	\$ 19,925	\$ 7,318	\$ 6,969	\$ 53,788
2006	20,279	20,640	6,615	6,254	53,788
2007	21,008	21,382	5,886	5,512	53,788
2008	21,762	22,150	5,132	4,744	53,788
2009	22,544	22,945	4,350	3,949	53,788
2010-2013	98,570	100,324	9,007	7,252	215,153
	<u>\$ 203,739</u>	<u>\$ 207,366</u>	<u>\$ 38,308</u>	<u>\$ 34,680</u>	<u>\$ 484,093</u>

Date of Issue: June 1, 2003

Amount: \$349,757

Purpose: Fire Station

Year	Principal		Interest		Annual Total
	December 1	June 1	Decmeber 1	1-Jun	
2005	\$ 15,241	\$ 15,513	\$ 5,697	\$ 5,426	\$ 41,877
2006	15,789	16,070	5,150	4,868	41,877
2007	16,356	16,647	4,583	4,291	41,877
2008	16,943	17,245	3,995	3,694	41,877
2009	17,552	17,864	3,387	3,074	41,877
2010-2013	76,743	78,107	7,012	5,646	167,508
	<u>\$ 158,624</u>	<u>\$ 161,446</u>	<u>\$ 29,824</u>	<u>\$ 26,999</u>	<u>\$ 376,893</u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: June 26, 1995

Amount: \$77,450

Purpose: Paving Project (Taft Road)

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Maturity</u>	<u>Annual Interest Payments</u>	<u>Total Annual Requirements</u>
5.89%	2005	<u>\$ 9,393</u>	<u>\$ 551</u>	<u>\$ 9,944</u>
Total		<u><u>\$ 9,393</u></u>	<u><u>\$ 551</u></u>	<u><u>\$ 9,944</u></u>

Date of Issue: November 1, 1998

Amount: \$720,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2005	4.50%	\$ 75,000
2006	4.60%	80,000
2007	4.65%	85,000
2008	4.70%	<u>85,000</u>
		<u><u>\$ 325,000</u></u>

Date of Issue: November 1, 1998

Amount: \$275,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2004	\$ 10,000		\$ 5,443	\$ 15,443
2005	10,000	\$ 5,218	5,217	20,435
2006	10,000	4,988	4,987	19,975
2007	15,000	4,755	4,755	24,510
2008	15,000	4,403	4,402	23,805
2009-2013	75,000	16,381	16,380	107,761
2014-2017	<u>80,000</u>	<u>5,250</u>	<u>5,250</u>	<u>90,500</u>
	<u><u>\$ 215,000</u></u>	<u><u>\$ 40,995</u></u>	<u><u>\$ 46,434</u></u>	<u><u>\$ 302,429</u></u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: August 1, 2004

Amount: \$36,200

Purpose: Extension of Water System

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Maturity</u>	<u>Annual Interest Payments</u>	<u>Total Annual Requirements</u>
6.40%	2005	<u>\$ 2,614</u>	<u>\$ 185</u>	<u>\$ 2,799</u>
Total		<u><u>\$ 2,614</u></u>	<u><u>\$ 185</u></u>	<u><u>\$ 2,799</u></u>

NOTE I--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended June 30, 2004 was as follows:

	<u>Water</u>
Operating Revenues	\$ 147,925
Operating Income (Loss)	37,802
Net Income (Loss)	32,581
Water System Less	
Accumulated Depreciation	2,208,378
Net Working Capital	338,717
Long-Term Debt	542,614
Total Assets	2,864,863
Total Equity	2,257,808

NOTE J--RISK MANAGEMENT

Crockery Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workman's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE K--CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2003, the township implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of July 1, 2003.

NOTE L--RESTATEMENT OF FUND BALANCE

According to MCL 41.110a, the township is to establish a chart of accounts in compliance with the Uniform Chart of Accounts issued by the Michigan Department of Treasury. According to the Uniform Chart of Accounts, Fund 204 - Municipal Street Fund is to be used to account for street operations in those units that levy an extra voted millage or special assessments. The following restatement is to remove the balances for the road assessment activity from the former Special Assessment Debt Service Fund.

	<u>Road Assessment</u>
Audited Fund Balance--July 1, 2003	
Record Beginning Cash Balances	\$ 65,302
Record Beginning Special Assessments Receivable	11,667
Record Beginning Deferred Revenue	(11,667)
	<u> </u>
Total Adjustments to Beginning Fund Balance	<u>\$ 65,302</u>
Adjusted Beginning Fund Balance, July 1, 2003	<u><u>\$ 65,302</u></u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE M--CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF RETAINED EARNINGS

The Water Fund has been reclassified into one enterprise fund. The Water Fund previously consisted of a Special Assessment Debt Service Fund and the Water Enterprise Fund. The special assessments and the debt relating to the water system had been recorded in the debt service fund on the modified accrual basis of accounting. According to GASB Codification Section S40.115 states: “. . . all transactions related to capital improvements financed by special assessments should be reported in the same manner, and on the same basis of accounting, as any other capital improvement and financing transaction.” The change in accounting principle is to record the special assessments and related debt on the full accrual basis consistent with the enterprise fund that has been set up for the Water Fund. The new Water Fund will now include capital assets net of accumulated depreciation, bonds payable, and special assessments receivable that are no longer offset by deferred revenue.

Also, in the past, the Michigan Department of Treasury has required all local units to maintain separate accounts for contributed capital. Contributed capital was recorded for capital grants or contributions from State and Federal sources. With the inception of the Governmental Accounting Standards Board (GASB) Statement No. 34, these accounts do not follow the accounting principles established by Statement No. 34. A restatement of retained earnings was necessary to remove the contributed capital accounts and recognize them as retained earnings. Listed below is the effect of the retained earnings at July 1, 2003:

Retained Earnings, July 1, 2003	\$ (263,089)
Accounting Changes	
Activity From the Debt Service Fund	
Cash and Investments	252,438
Special Assessments Receivable	383,718
Accounts Receivable	6,840
Due to Townships	(69,622)
Due to Other Funds	(49,097)
Notes Payable	(7,001)
Bonds Payable	<u>(620,000)</u>
Total Activity From the Debt Service Fund	(102,724)
Restatement of Contributed Capital	<u>2,591,040</u>
Restated Retained Earnings July 1, 2003	<u><u>\$ 2,225,227</u></u>

CROCKERY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE N--COMMITMENTS

On August 1, 1984, Crockery Township entered into an agreement with Spring Lake Township for the use of the Spring Lake Water Distribution System and a portion of Spring Lake's capacity rights in the Northwest Ottawa County Water System and for the right to draw water from the system. According to the agreement, Crockery Township agreed to special assess the residents bordering Spring Lake Township as the residents connected to the water system. Residents are not required to use the township's water system and therefore would not be special assessed. Because of this, Crockery Township has a balance of \$168,010 to be paid back at some point in the future as the residents access the water system and the special assessments become available.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004**

EXHIBIT I

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 108,700	\$ 108,700	\$ 108,048	\$ (652)
Licenses and Permits	2,400	2,400	3,533	1,133
State Grants	280,000	280,000	269,449	(10,551)
Charges for Services	18,700	18,700	27,164	8,464
Interest and Rentals	20,000	20,000	18,843	(1,157)
Total Revenues	429,800	429,800	427,037	(2,763)
Expenditures				
Current				
General Government	197,710	206,010	256,997	(50,987)
Public Works	81,037	84,537	53,610	30,927
Community and Economic Development	51,800	97,300	99,085	(1,785)
Recreation and Cultural	23,050	25,450	24,826	624
Other	7,500	7,500	6,968	532
Capital Outlay	15,130	15,130	826	14,304
Total Expenditures	376,227	435,927	442,312	(6,385)
Excess of Revenues Over (Under) Expenditures	53,573	(6,127)	(15,275)	(9,148)
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(120,000)	(120,000)	(85,000)	35,000
Total Other Financing Sources (Uses)	\$ (120,000)	(120,000)	(85,000)	35,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(66,427)	(126,127)	\$ (100,275)	25,852
Fund Balance--July 1, 2003	-	-	597,114	597,114
Fund Balance--June 30, 2004	\$ (66,427)	\$ (126,127)	\$ 496,839	\$ 622,966

CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE OPERATING FUND MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

EXHIBIT J

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 66,900	\$ 66,900	\$ 62,926	\$ (3,974)
Charges for Services			1,230	1,230
Interest	50	50	47	(3)
Other Revenue			1,325	1,325
Total Revenues	<u>66,950</u>	<u>66,950</u>	<u>65,528</u>	<u>(1,422)</u>
Expenditures				
Public Safety	152,300	152,300	135,421	16,879
Capital Outlay	4,400	4,400	8,723	(4,323)
Total Expenditures	<u>156,700</u>	<u>156,700</u>	<u>144,144</u>	<u>12,556</u>
Excess of Revenues Over (Under) Expenditures	<u>(89,750)</u>	<u>(89,750)</u>	<u>(78,616)</u>	<u>11,134</u>
Other Financing Sources (Uses)				
Interfund Transfers In	90,000	90,000	85,000	(5,000)
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>90,000</u>	<u>85,000</u>	<u>(5,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	250	250	6,384	6,134
Fund Balance--July 1, 2003	<u>-</u>	<u>-</u>	<u>(7,238)</u>	<u>(7,238)</u>
Fund Balance--June 30, 2004	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ (854)</u>	<u>\$ (1,104)</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE STATION AND TRUCK MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2004**

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 62,750	\$ 62,750	\$ 62,926	\$ 176
Interest and Rentals	1,000	1,000	95	(905)
Total Revenues	<u>63,750</u>	<u>63,750</u>	<u>63,021</u>	<u>(729)</u>
Expenditures				
Capital Outlay	95,786	95,786		95,786
Debt Service				
Principal			68,825	(68,825)
Interest			26,840	(26,840)
Total Expenditures	<u>95,786</u>	<u>95,786</u>	<u>95,665</u>	<u>121</u>
Excess of Revenues Over (Under) Expenditures	<u>(32,036)</u>	<u>(32,036)</u>	<u>(32,644)</u>	<u>(608)</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,036)</u>	<u>(2,036)</u>	<u>(32,644)</u>	<u>(30,608)</u>
Fund Balance--July 1, 2003	<u>-</u>	<u>-</u>	<u>9,020</u>	<u>9,020</u>
Fund Balance--June 30, 2004	<u>\$ (2,036)</u>	<u>\$ (2,036)</u>	<u>\$ (23,624)</u>	<u>\$(21,588)</u>

CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF REVENUES--BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2004

EXHIBIT L

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes and Penalties				
Current Property Taxes	\$ 85,000	\$ 85,000	\$ 84,531	\$ (469)
Delinquent Personal Property Taxes	300	300	65	(235)
Trailer Park Taxes	700	700	683	(17)
Tax Reverted Lands	200	200	22	(178)
Interest and Penalties on Taxes	-	-	623	623
Property Tax Administration Fees	22,500	22,500	22,124	(376)
Total Taxes and Penalties	108,700	108,700	108,048	(652)
Licenses and Permits				
Licenses and Permits	100	100	227	127
Cable Franchise Fees	2,300	2,300	3,306	1,006
Total Licenses and Permits	2,400	2,400	3,533	1,133
State Grants				
Revenue Sharing	280,000	280,000	264,649	(15,351)
Metro Act	-	-	4,800	4,800
Total State Grants	280,000	280,000	269,449	(10,551)
Charges for Services				
Grave Openings	3,000	3,000	4,875	1,875
Summer Collection	5,200	5,200	6,204	1,004
Zoning Changes	3,000	3,000	3,550	550
Pop Machine Income	650	650	802	152
Brine Income	750	750	1,877	1,127
Title Search Income	3,000	3,000	3,860	860
Other Charges for Services	3,100	3,100	5,996	2,896
Total Charges for Services	18,700	18,700	27,164	8,464
Interest and Rents				
Interest Earned	6,000	6,000	4,200	(1,800)
Rental Income	14,000	14,000	14,644	644
Total Interest and Rents	20,000	20,000	18,844	(1,156)
Total Revenue	\$429,800	\$429,800	\$427,038	\$ (2,762)

CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2004

EXHIBIT M

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Township Board	\$ 5,900	\$ 5,900	\$ 6,091	\$ (191)
Supervisor	13,975	13,975	12,654	1,321
Elections	2,400	2,400	401	1,999
Audit	10,800	10,800	9,200	1,600
Assessor	21,050	23,350	20,490	2,860
Attorney	5,000	11,000	68,284	(57,284)
Clerk	20,630	20,630	19,481	1,149
Board of Review	900	900	495	405
Treasurer	32,235	32,235	31,058	1,177
Building and Grounds	39,970	39,970	39,096	874
Cemetery	7,600	7,600	10,242	(2,642)
General Administration	37,250	37,250	39,505	(2,255)
Total General Government	197,710	206,010	256,997	(50,987)
Public Works				
Drains	10,000	10,000	2,320	7,680
Road Maintenance	59,500	63,000	40,017	22,983
Street Lights	1,903	1,903	1,639	264
Water	9,634	9,634	9,634	-
Total Public Works	81,037	84,537	53,610	30,927
Community Development				
Planning Commission	30,250	65,250	71,202	(5,952)
Zoning Board	20,350	30,850	26,883	3,967
Community Promotion	1,200	1,200	1,000	200
Total Community Development	51,800	97,300	99,085	(1,785)
Recreational and Cultural				
Library	23,050	25,450	24,826	624
Total Recreational and Cultural	23,050	25,450	24,826	624
Other				
Insurance and Bonds	7,500	7,500	6,968	532
Total Other	7,500	7,500	6,968	532
Capital Outlay				
Capital Outlay	15,130	15,130	826	14,304
Total Capital Outlay	15,130	15,130	826	14,304
Total Expenditures	376,227	435,927	442,312	(6,385)
Other Financing Uses				
Interfund Transfers (Out)				
Fire Operating Fund	120,000	120,000	85,000	35,000
Total Other Financing Uses	120,000	120,000	85,000	35,000
Total Expenditures and Other Financing Uses	\$ 496,227	\$ 555,927	\$ 527,312	\$ 28,615

**CROCKERY TOWNSHIP--OTTAWA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2004**

EXHIBIT N

	SPECIAL REVENUE FUNDS									CAPITAL PROJECT FUND	Total Non-Major Governmental Funds
	Road Assessments	Fire Truck	Fire Department Donations	Park Equipment Donations	Cemetery	Liquor Law	Street Lights	Building Department	Library	Building Millage	
<u>ASSETS</u>											
Cash	\$ 62,148		\$ 3,208	\$ 2,358	\$ 16,246			\$ 1,000			\$ 84,960
Investments		\$36,311			13,085			14,377	\$5,531	\$ 46,961	116,265
Special Assessments Receivable	6,541										6,541
Due From Other Funds						\$1,143					1,143
Total Assets	\$ 68,689	\$36,311	\$ 3,208	\$ 2,358	\$ 29,331	\$1,143	\$ -	\$15,377	\$5,531	\$ 46,961	\$ 208,909
<u>LIABILITIES AND FUND BALANCES</u>											
Due to Other Funds					\$ 26,486				\$1,141	\$ 24,183	\$ 51,810
Accrued Liabilities								\$ 736			736
Deferred Revenue	\$ 6,541										6,541
Total Liabilities	6,541	\$ -	\$ -	\$ -	26,486	\$ -	\$ -	736	1,141	24,183	59,087
Fund Balances											
Reserved for											
Capital Expenditures		36,311								22,778	59,089
Donations			3,208	2,358							5,566
Road Improvements	62,148										62,148
Unreserved--Undesignated					2,845	1,143	-	14,641	4,390		23,019
Total Fund Balances	62,148	36,311	3,208	2,358	2,845	1,143	-	14,641	4,390	22,778	149,822
Total Liabilities and Fund Balances	\$ 68,689	\$36,311	\$ 3,208	\$ 2,358	\$ 29,331	\$1,143	\$ -	\$15,377	\$5,531	\$ 46,961	\$ 208,909

CROCKERY TOWNSHIP--OTTAWA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

EXHIBIT O

	SPECIAL REVENUE FUNDS									CAPITAL PROJECT FUND	Total Non-Major Governmental Funds
	Road Assessments	Fire Truck	Fire Department Donations	Park Equipment Donations	Cemetery	Liquor Law	Street Lights	Building Department	Library	Building Millage	
Revenues											
Licenses and Permits								\$ 39,323			\$ 39,323
State Grants						\$ 1,430					1,430
Charges for Services					\$ 1,400			675			2,075
Fines and Forfeits								402			402
Interest and Rentals	\$ 1,664	\$ 258			245			114	\$ 38	\$ 332	2,651
Other	5,126		\$ 3,208	\$ 2,358			\$ 4,597				15,289
Total Revenues	6,790	258	3,208	2,358	1,645	1,430	4,597	40,514	38	332	61,170
Expenditures											
Public Safety						287		42,087			42,374
Public Works							4,597				4,597
Capital Outlay								3,000			3,000
Debt Service											
Principal	9,477										9,477
Interest and Fees	467										467
Total Expenditures	9,944	-	-	-	-	287	4,597	45,087	-	-	59,915
Excess of Revenue Over (Under)											
Expenditures	(3,154)	258	3,208	2,358	1,645	1,143	-	(4,573)	38	332	1,255
Fund Balance--June 30, 2003	-	36,053	-	-	1,200	-	-	19,214	4,352	22,446	83,265
Restatement to Fund Balance--June 30, 2003	65,302	-	-	-	-	-	-	-	-	-	65,302
Restated Fund Balance--June 30, 2003	65,302	36,053	-	-	1,200	-	-	19,214	4,352	22,446	148,567
Fund Balance--June 30, 2004	\$ 62,148	\$ 36,311	\$ 3,208	\$ 2,358	\$ 2,845	\$ 1,143	\$ -	\$ 14,641	\$ 4,390	\$ 22,778	\$ 149,822

CROCKERY TOWNSHIP--OTTAWA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Year Ended June 30, 2004

EXHIBIT P

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
<u>TAX COLLECTION FUND</u>				
Assets				
Cash	\$35,601	\$2,115,819	\$ 2,111,276	\$ 40,144
Accounts Receivable	6,904		6,904	-
Total Assets	<u>\$42,505</u>	<u>\$2,115,819</u>	<u>\$ 2,118,180</u>	<u>\$ 40,144</u>
Liabilities				
Due to County		\$ 760,950	\$ 760,950	-
Due to Schools		1,084,720	1,084,720	-
Due to Other Funds		251,501	251,501	-
Tax Overpayments		11,744	11,744	-
Undistributed Tax Collections	<u>\$42,505</u>		2,361	<u>\$ 40,144</u>
Total Liabilities	<u>\$42,505</u>	<u>\$2,108,915</u>	<u>\$ 2,111,276</u>	<u>\$ 40,144</u>



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

October 25, 2004

Crockery Township Board
17431 112th Avenue
Nunica, Michigan 49448

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 25, 2004.

Crockery Township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of July 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Crockery Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, however, we did note other instances of noncompliance described in the accompanying comments and recommendations and additional instances as described in our agreed-upon procedures report dated August 5, 2004.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Crockery Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Crockery Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations. Additional reportable conditions are described in our agreed-upon procedures report dated August 5, 2004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider those items listed in the agreed-upon procedures report dated August 5, 2004 as material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in the internal control structure, our audit disclosed certain other reportable conditions which we wish to point out for consideration by the management of Crockery Township. We noted additional weaknesses as described in our agreed-upon procedures report dated August 5, 2004.

Special Assessments--Reconciliation of General Ledger to Subsidiary Records

Condition: Prior to audit adjustments, the control accounts for special assessments receivable in the year-end general ledger did not agree with subsidiary records and reports.

Criteria: Subsidiary records should tie to control accounts. Specifically, the special assessments should agree with the subsidiary special assessment ledger.

Recommendation: We recommend that, prior to closing the books at year-end, responsible township personnel compare relevant subsidiary records and reports to the general ledger to assure that the balances for special assessments receivable agree with the totals of the supporting records and reports.

STATUTORY NONCOMPLIANCE

Special Assessments--Road Assessments

Condition: The township has two special assessments for road projects, assessment #6 and #8. As of June 30, 2004, the first assessment (assessment #6) has a cash balance of \$17,702 and a special assessment receivable balance of \$4,741. The second assessment (assessment #8) has a cash balance of \$44,446 and a special assessment receivable balance of \$1,800. The only remaining expense is a debt payment of \$9,944 for assessment #6. The result is the township will have a remaining balance of approximately \$12,499 for assessment #6 and \$46,246 for assessment #8 after the special assessments are collected. The township entered into an agreement with the residents of the township to only special assess an amount to cover the costs of road projects.

Criteria: MCL 41.732 states, in part: "Should the total amount collected on assessments prove larger than necessary by more than 5% of the original roll, then the surplus shall be prorated among the properties assessed in accordance with the amount assessed against each and applied toward the payment of the next township tax levied against such properties, respectively, or if there be no such tax then it shall be refunded to the persons who are the respective record owners of the properties on the date of the passage of the resolution ordering such refund. Any such surplus of 5% or less may be paid into the township contingent funds disposed of as above provided."

Directive: We direct that the township discontinue any future assessments and that the township refund the excess amount of the special assessments collected as required by MCL 41.732.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Township Board--Special Revenue Fund Budget Adoption

Condition: Budgets were not adopted for the Road Assessments Fund, Fire Donation Fund, Park Donation Fund, Liquor Law Fund, and Street Light Fund.

Criteria: MCL 141.436 states: "...the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, intragovernmental service, enterprise, public improvement or building and site, for which the legislative body may pass a special appropriation act.

Directive: We direct budgets for all required funds be adopted prior to the start of the new fiscal year. The budget should include all items required by law and Public Act 2, the Uniform Budgeting Act, as amended.

Township Board--Expenditures in Excess of Appropriations

Condition: Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The township's 2003/2004 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the township. As detailed below, actual 2003/2004 expenditures exceeded the board's approved budget allocations for several general fund activities.

During the fiscal year ended June 30, 2004, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Township Board	\$ 5,900	\$ 6,091	\$ (191)
Attorney	11,000	68,284	(57,284)
Cemetery	7,600	10,242	(2,642)
General Administration	37,250	39,505	(2,255)
Community Development			
Planning Commission	65,250	71,202	(5,952)
Fire Operating Fund			
Capital Outlay	4,400	8,723	(4,323)
Fire Station and Truck			
Debt Service		95,665	(95,665)
Building Fund			
Public Safety	40,200	42,087	(1,887)

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Directive: We direct that the township develop budgetary control procedures for the General Fund which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Deficit Fund Balances

Condition: As of June 30, 2004, a deficit in the unreserved fund balance existed in the Fire Operating Fund and Fire Station and Truck (special revenue funds) of \$854 and \$23,624, respectively.

Criteria: Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

Directive: We direct Crockery Township file a Deficit Elimination Plan as required by PA 140 of 1971, as amended.